

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 NEAE-00 SSM-03 CIAE-00
DODE-00 PM-05 H-01 INR-10 L-03 NSAE-00 PA-01
SP-02 SS-15 NSCE-00 SSO-00 USIE-00 INRE-00 IO-13
COME-00 EB-08 LAB-04 SIL-01 OMB-01 TRSE-00 AID-05
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O R 241310Z FEB 78
FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC IMMEDIATE 1459
INFO AMEMBASSY AMMAN
AMEMBASSY BONN
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY TEHRAN
AMCONSUL JERUSALEM
USMISSION SINAI
CINCEUR

C O N F I D E N T I A L SECTION 1 OF 2 TEL AVIV 2537

E. O. 11652: GDS
TAGS: PINT IS
SUBJ: TROUBLE AHEAD FOR BEGIN GOVERNMENT ON DOMESTIC ISSUES

SUMMARY: SOCIAL AND ECONOMIC PROBLEMS ARE COMING INTO
SHARPER FOCUS AS ATTENTION SHIFTS FROM FOREIGN POLICY
QUESTIONS. THE GOVERNMENT'S HANDLING OF THE ECONOMY
IS THE TARGET OF INCREASINGLY SHARP ATTACKS AND VARIOUS
SOCIAL PROBLEMS, QUIESCENT SINCE SADAT'S VISIT, ARE
LIKELY TO TAKE ON POLITICAL DIMENSIONS AS LABOR EMERGES
FROM ITS 9 MONTHS OF WOUND LICKING. THE VULNERABILITY OF THE
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BEGIN GOVERNMENT ON SOCIO-ECONOMIC ISSUES IS BECOMING
APPARENT. END SUMMARY

1. A RECURRING THEME IN BOTH THE PRESS AND IN CON-
VERSATION WITH KNESSET MEMBERS IN RECENT DAYS IS THE
RESURGENCE OF DOMESTIC POLITICAL PROBLEMS, AND THE
INCREASING FOCUS OF PUBLIC ATTENTION ON DIVISIVE

SOCIO-ECONOMIC DIFFICULTIES. IT CAN BE EXPECTED THAT AS LONG AS THE PEACE PROCESS REMAINS STALLED, AND EVEN IF AND WHEN IT PICKS UP AND TAKES THE FORM OF PROTRACTED BUT UNDRAMATIC NEGOTIATIONS, THE "WAR OF THE JEWS" (LOCAL NOMENCLATURE FOR THE ISRAELI PROCLIVITY FOR FIERCE INTERNAL POLITICAL BATTLES) WILL BE JOINED WITH INCREASING FEROCITY.

2. YESTERDAY'S JERUSALEM POST EDITORIAL ILLUSTRATES THIS TREND. ENTITLED "ATHERTON COMES AND GOES--STRIKES AND INFLATION STAY," THE POST DECRIES THE LIKUD GOVERNMENT'S HANDLING OF THE ECONOMY: "INDEED, THE ENTIRE RECORD OF THE ADMINISTRATION'S ECONOMIC POLICY HAS BEEN UNINSPIRING. WORSE YET, IT HAS ALL TOO OFTEN BEEN CHARACTERIZED BY INDECISIVENESS, EVASIVENESS, AND EVEN DUPLICITY... THE BEGIN ADMINISTRATION HAS ALREADY BEEN FORCED TO EAT A FEW TOO MANY OF THE WORDS IN ITS ECONOMIC PROGRAM." THE EDITORIAL GOES ON TO SCORE THE GOVERNMENT'S INEFFECTIVE AND CONTRADICTIONARY APPROACH TO SPECIFIC ECONOMIC ISSUES AND CONCLUDES THAT "ALL IN ALL, IT IS A LACKLUSTRE ECONOMIC PERFORMANCE BY ISRAEL'S FIRST BUSINESSMEN'S ADMINISTRATION. IT IS NOT LIKELY TO PROVIDE THE COUNTRY WITH THE CUSHION IT NEEDS IN THE COMING POLITICAL ENCOUNTERS."

3. CRITICISM SUCH AS THIS IS BECOMING COMMON NOT
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BECAUSE THE PRESENT GOVERNMENT'S ECONOMIC POLICIES ARE MUCH DIFFERENT FROM THOSE OF ITS PREDECESSORS, BUT BECAUSE THE LIKUD IN ITS ELECTION PLATFORM PROMISED THEY WOULD BE. THEN THERE IS RISING DISCONTENT WITH THE WAY ECONOMIC MEASURES ARE DECIDED UPON AND THE LACK OF COORDINATION WITHIN THE GOVERNMENT AND BETWEEN GOVERNMENT AND BUSINESS. IN SHORT, THE CREDIBILITY OF THE GOI ON ECONOMIC POLICY IS WEARING THIN. HOWEVER UNFAIR, THIS IS LINKED SOMEWHAT TO UNREALISTIC EXPECTATIONS ABOUT WHAT ANY GOVERNMENT CAN DO IN THE SHORT-RUN TO REDUCE INFLATION, INCREASE GROWTH AND IMPROVE LABOR RELATIONS.

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C O N F I D E N T I A L SECTION 2 OF 2 TEL AVIV 2537

4. LONG-SIMMERING CONFLICTS MAY REACH A BOILING
POINT ONCE THE NATIONAL PREOCCUPATION WITH FOREIGN
AFFAIRS DIMINISHES SUFFICIENTLY. THE INCREASING
RESTIVENESS OF ISRAELI ARABS, THE COMPLEX AND EXPLOSIVE
ISSUE OF THE "SOCIAL GAP," AND THE DELICTE RELIGIOUS-
SECULAR BALANCE ALL REPRESENT SERIOUS AND UNRESOLVED
PROBLEM AREAS. THE LAST MAY BE CLOSE TO A FLASH
POINT; THE RELIGIOUS PARTIES ARE BEGINNING TO EXERT
GREATER POLITICAL MUSCLE THAN THEY EVER DID AS
LABOR'S PARTNERS IN PREVIOUS GOVERNMENT COALITIONS.
FEARS ARE BEGINNING TO BE EXPRESSED THAT UNLESS
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THE NRP AND ESPECIALLY THE AGUDA MODERATE THEIR
ATTEMPTS TO ALTER THE "STATUS QUO" ON RELIGIOUS
MATTERS, THEY COULD TRIGGER THE RUINOUS KULTURKAMPF
THAT LABOR GOVERNMENTS SO ASSIDUOUSLY AVOIDED.

5. THE LABOR PARTY, AS IT RECOVERS ITS NERVE AND
MOBILIZES ITSELF INTO AN EFFECTIVE OPPOSITION, WILL
TRY TO CAPITALIZE ON ANY SUCH DIFFICULTIES AND TO

PUT THE LIKUD GOVERNMENT ON THE DEFENSIVE FOR THE FIRST TIME. LABOR MKS ARE NOW OPENLY EXPRESSING ENTHUSIASM OVER SUCH A PROSPECT AND IT SEEMS ONLY A MATTER OF TIME BEFORE THEIR PARTY BEGINS TO TRY TO PERSUADE THE PUBLIC OF THE GOVERNMENT FAILURES IN THE SOCIO-ECONOMIC AREA.

6. BEGIN UNTIL RECENTLY ENJOYED THE KIND OF BROAD POPULAR SUPPORT THAT WOULD HAVE ENABLED HIM TO TAKE UNPOPULAR BUT NECESSARY DECISIONS ON DOMESTIC MATTERS. AS THE AURA OF BEGIN THE STATES-MAN AND PEACEMAKER WEARS THIN, AND AS HIS GOVERNMENT COMES UNDER GROWING ATTACK FOR ITS INATTENTION TO AND POOR HANDLING OF DOMESTIC ISSUES, HIS ABILITY TO DO THIS IS ERODING. IN SUM, THERE IS TROUBLE AHEAD FOR BEGIN ON THE HOME FRONT, AND IT IS VERY LIKELY THAT HE AND HIS MINISTERS ARE BEGINNING TO SENSE IT. LEWIS

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